



# **“PILOT PROGRAM”**

## ***Why TSPR is Feasible***

- **Small Fleet of 52 operational aircraft**
- **Single operational Wing at Holloman AFB**
- **LMSW is F-117 “in-place” support expert**
- **Aircraft Depot and Combined Test Force collocated with LMSW at Palmdale**
- **BRAC decision forcing SPO relocation**

*Opportunity for a “Pilot Program” to  
reduce Total Ownership Cost through acquisition reform*



# **F-117 R-TOC THROUGH INNOVATIVE CONTRACTING**

## **OBJECTIVES**

- Retain only core Gov't work
- Transition all non-core Gov't work to LMSW
- Reduce SPO size
- Simplify contract structure
- Long-term contractual arrangement

## **METRICS**

- Utilize existing SPO/warfighter metrics to drive LMSW commitment to \$80M savings over 8 years for stabilized sharing
- Warfighter stakeholding
- Ensure performance before 50/50 sharing
- Performance as good or better than current levels

## **INCENTIVE STRUCTURE**

- Focus on Performance/Cost Re
- CPIF w/Award Fee feature
  - 3% Award Fee
  - 7% Incentive Fee
  - 50/50 sharing over/under ru

## **EXPECTED RESULTS**

- 8 year TSPR Strategy
- Potential for additional savings through 50/50 sharing
- 20% reduction in SPO i



# Core Government Functions

- **Program Direction**
- **Requirements Determination**
- **Budgeting/Financial Execution**
- **Contract Management**
- **Product/Service Acceptance**
- **Security**



# **LMSW**

# **EXPANDED ROLES**



- **Modification, Integration, and Sustainment**
  - **Systems engineering**
  - **Subcontractor management**
  - **System/subsystem integration**
  - **Configuration control**
  - **Materiel management**
  - **Direct field support to 49FW**
  - **Air Force reporting requirements support**



# CONTRACT MANAGEMENT

## Incentive Fee Metrics

### Performance Incentive Matrix

#### (7% Pool)

| Metric Available | NMCS Non-NSN Items (%) | MICAP Delivery (hrs) | RSP Kits XD (%) | Depot Delivery (Days Late) | Depot Aircraft Quality (# Disc) | Delinquent DRS (#) | WST (%) |
|------------------|------------------------|----------------------|-----------------|----------------------------|---------------------------------|--------------------|---------|
| Weight           | 25                     | 15                   | 15              | 15                         | 15                              | 10                 | 5       |
| Score            | 5.0 - below            | 72                   | 96%             | 0 - 0.9                    | 20                              | 1 or Less          | 99.0%   |
| 9                | 5.1 - 5.5              | 73 - 84              | 95%             |                            | 21 - 25                         | 2                  | 98.5%   |
| 8                | 5.6 - 5.0              | 85 - 86              | 94%             | 1.0 - 1.9                  | 26 - 30                         | 3                  | 98.0%   |
| 7                | 6.1 - 6.5              | 97 - 108             | 93%             |                            | 31 - 35                         | 4                  | 97.5%   |
| 6                | 6.6 - 7.0              | 109 - 120            | 92%             | 2.0 - 2.9                  | 36 - 40                         | 5                  | 97.0%   |
| 5                | 7.1 - 7.5              | 121 - 132            | 91%             |                            | 41 - 45                         | 6                  | 96.5%   |
| 4                | 7.6 - 8.0              | 133 - 144            | 90%             | 3.0 - 3.9                  | 46 - 50                         | 7                  | 96.0%   |
| 3                | 8.1 - 8.5              | 145 - 156            | 89%             |                            | 51 - 55                         | 8                  | 95.5%   |
| 2                | 8.6 - 9.0              | 157 - 168            | 88%             | 4.0 - 4.9                  | 56 - 60                         | 9                  | 95.0%   |
| 1                | 9.1 - 9.5              | 169 - 180            | 87%             |                            | 61 - 65                         | 10                 | 94.5%   |
| 0                | 9.6 & Up               | 181 & Up             | 86%             | 5.0 or More                | 65 & Up                         | 11 & Up            | 94.0%   |

Incentive Fee based on 12 month rolling average scores



# F-117 R-TOC THROUGH INNOVATIVE CONTRACTING

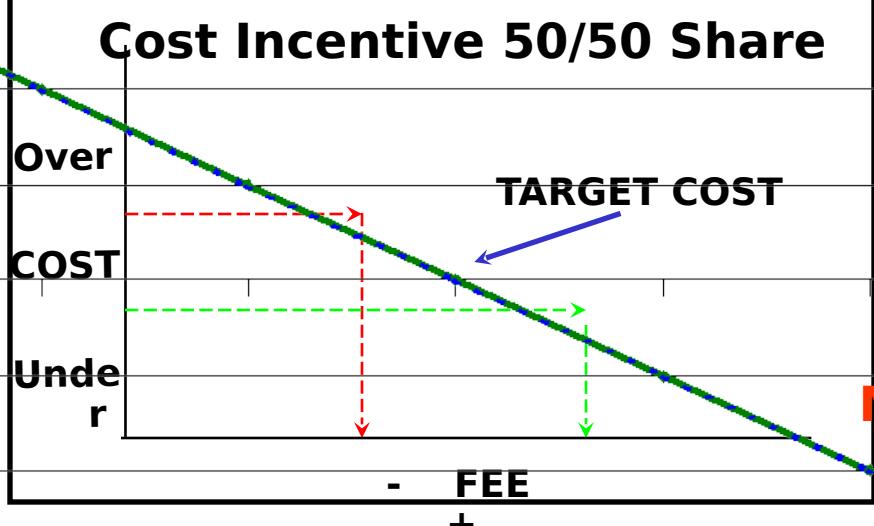


## Contractor Incentives

### 3% Award Fee

#### Subjective Warfighter/SPO eval

- Management Responsiveness
- Technical Performance
- Competitive Subcontracting
- Customer Support



**7% Incentive Fee**  
Based on performance against  
F-117 readiness metrics

| Category | NMCS | MICAP | RSP Kits | Depot Dē | Depot Q4 | DRS | WST Avail |
|----------|------|-------|----------|----------|----------|-----|-----------|
| Weight   | 25   | 15    | 15       | 15       | 15       | 10  | 5         |
| Score    |      |       |          |          |          |     |           |

**Minimum performance scores must be achieved to share any cost savings**



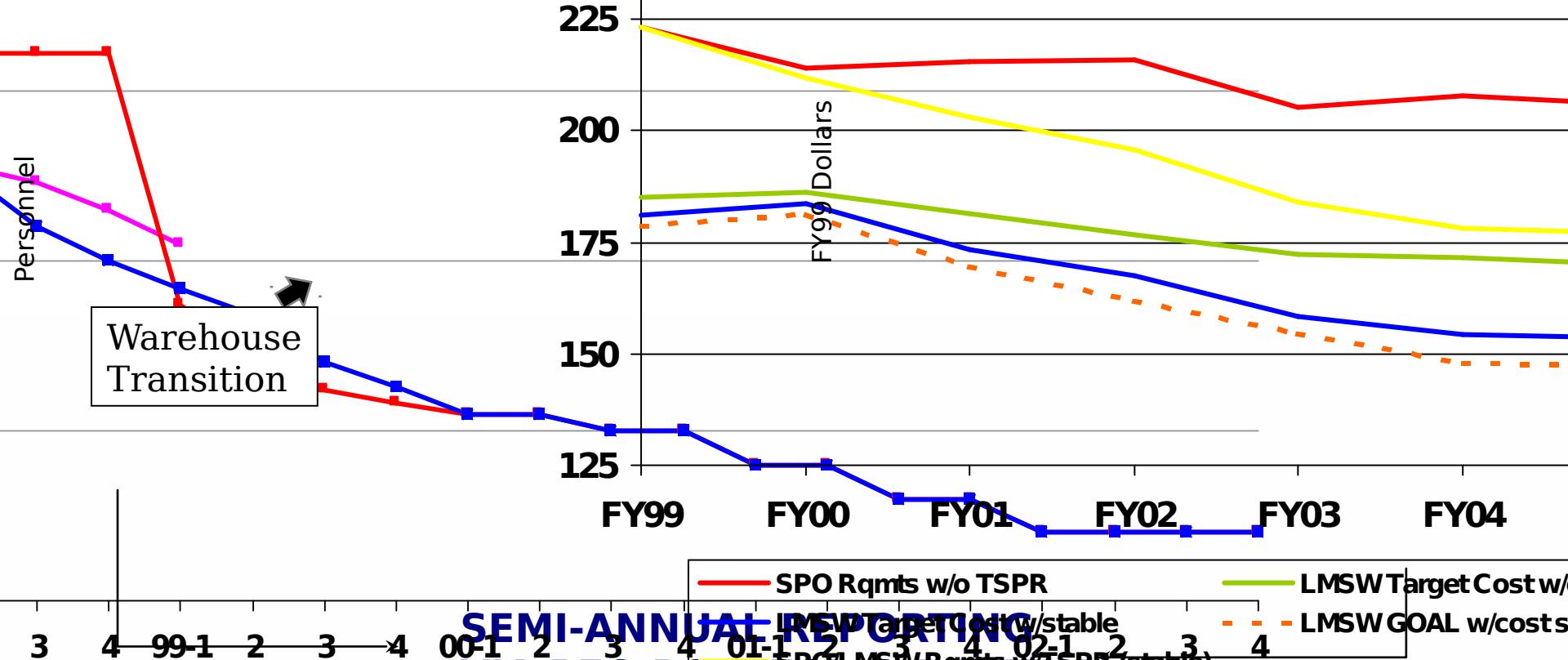
# AT REDUCTION IN TOTAL OWNERSHIP COST PROGRAM



## (R-TOC)

### F-117 COST REDUCTION MEASUREMENT /

#### SPO Manpower Drawdown TRACKING Sustainment Costs



SEMI-ANNUAL REPORTING  
VIA PEO PORTFOLIO REVIEW

Assigned (actual)

Required (assumes TSPR)

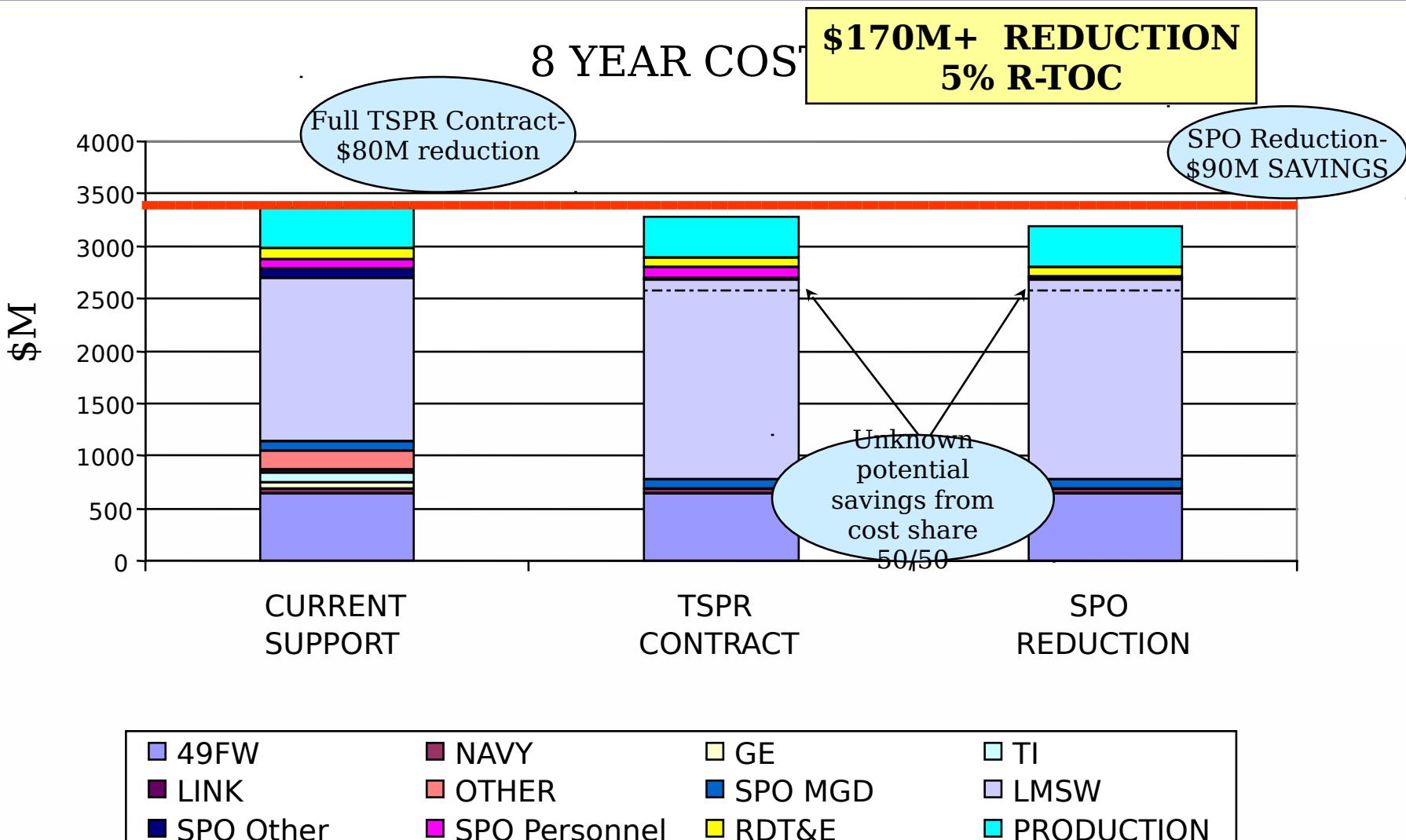
MONITORED BY PEO AND SAF/AQ

\$80M TSPR ~~Projected~~ savings + \$90M SPO personnel savings = \$170M Q8



# F-117

## REDUCTION STRATEGY





# ***BENEFITS OF STABILIZED FUNDING***

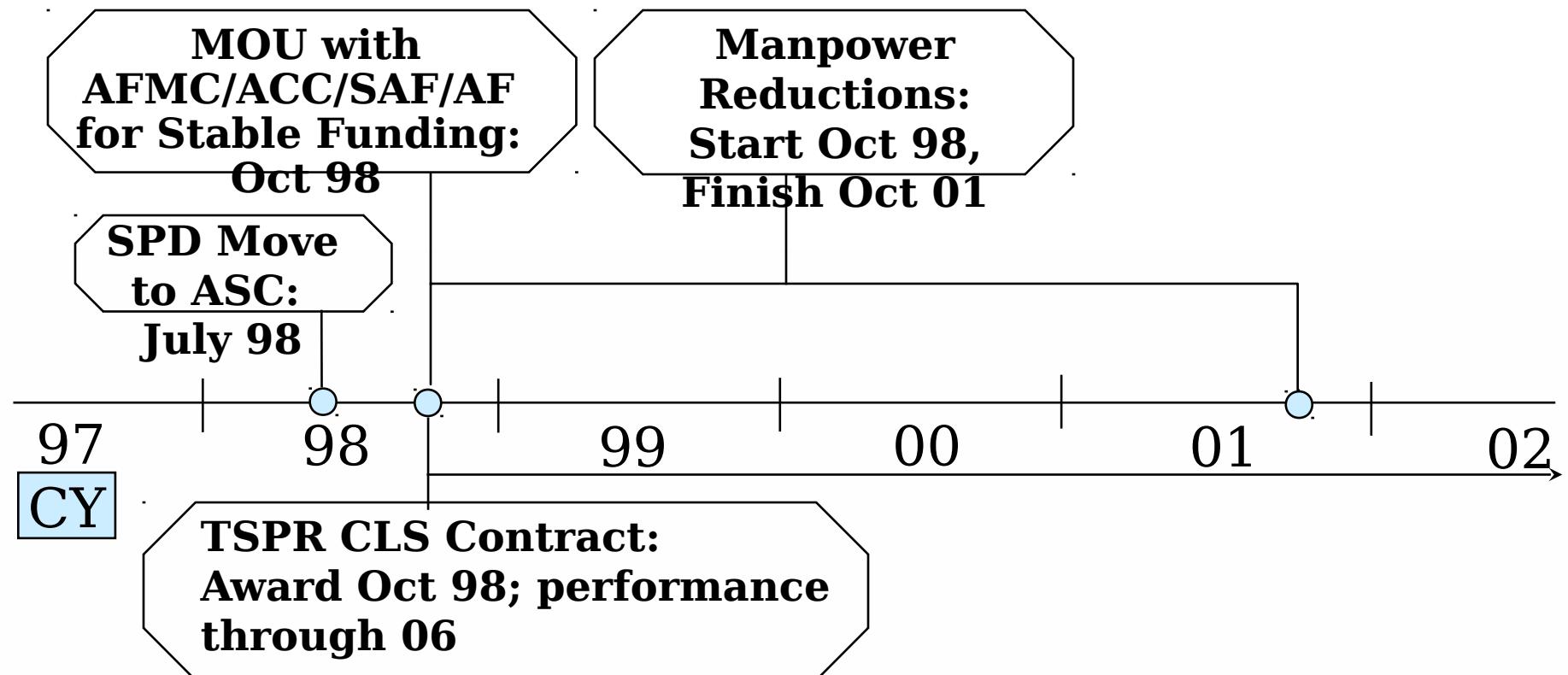


- \$30-50M savings in depot spares inventory
- \$4-7M savings in proposal preparation costs
- \$5-10M savings through long-term incentivized and stabilized subcontracts
- Additional savings through long-term capital investments for process improvements

***DEPOT SUPPORT FOR 49FW READINESS  
REMAINS  
AT CURRENT HIGH STANDARDS***



# F-117 IMPLEMENTATION PLAN





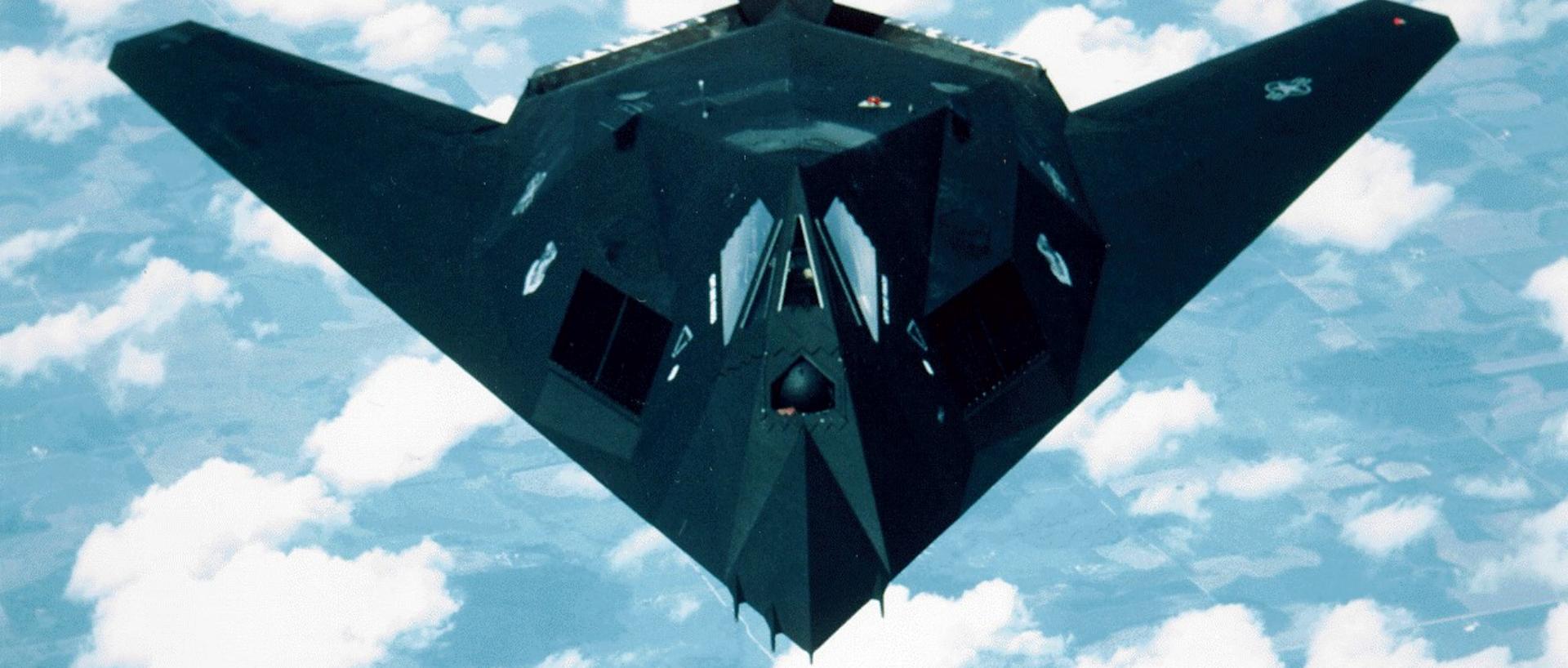
# ***F-117 OBSERVATIONS***

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- **Stable Requirements and Funding Maximize Cost Reduction**
  - MOU with AFMC/ACC/SAF/AF
- **Innovative Contractor/Govt Teaming and Contractual Incentives**
  - Potential Applicability to other Weapon Systems
- **\$80M TSPR Savings + \$90M SPO Personnel Savings = \$170M O&S Savings**
  - Plus 50/50 cost incentive share

*There is nothing more difficult to carry out, nor more doubtful of success, dangerous to handle, than to initiate a new order of things. For the enemies in all of those who profit by the old order and only lukewarm defend those who profit from the new order. This lukewarmness arising partly from their adversaries who have the laws in their favor, and partly from the inconstancy and mutability of mankind who do not truly believe in anything new until they have actually experienced it."*

**MACHIAVELLI, 1513**



**F-117 System Program Office**

**1997 John J. Welch, Jr. Trophy Winners for Acquisition Excellence**